

## Life Settlement Broker: Content Outline

### 1.0 Insurance Regulation 9%

#### 1.1 Licensing

- 1.1.a Process (2103(d-i))
  - Definitions
- 1.1.b Producer definition (2101(k))
- 1.1.c Who should be licensed (2101(k)(1))
- 1.1.d Home state (2101(l))
- 1.1.e Negotiate, Sell, Solicit (2101(m)(n)(o))
  - Types of Licensees**
  - 1.1.h Agents (2101(a, k); 2103; Reg 6, Part 22.2; Reg 7, Part 23.2)
  - 1.1.I Brokers (2101(c, h, k); 2104)
  - 1.1.j Consultants (2107)
  - 1.1.k Adjusters (2101(g), 2108)
    - 1.1.l Nonresident (2101(d, e); 2103(g)(5, 11); 2136)
  - 1.1.m Business entities (2101(p), 2103(j)(2))
  - 1.1.n Temporary (2109; Regs 9, 18, 29, Part 20.1)
    - Maintenance and Duration**
    - 1.1.o Renewal (2103(j); Reg 5, Part 21.2)
    - 1.1.p Continuing education (2132)
    - 1.1.q Assumed names (2102(f))
    - 1.1.r Change of address (all addresses, including email) (2134; Reg 5, Part 21.4; Reg 6, Part 22.3; Reg 7, Part 23.4)
    - 1.1.s Reporting of disciplinary actions (2110(i))
      - Disciplinary Actions**
      - 1.1.t Cease and desist order (2406)
      - 1.1.u Hearings - Notice and Process (304, 2405)
      - 1.1.v Suspension, revocation, and nonrenewal (2110)
      - 1.1.w Penalties (2127)

#### 1.2 State Regulation

- 1.2.a Superintendent's general duties and powers (201, 301-305, 2404)
  - Company Regulation**
  - 1.2.b Certificate of authority (1102(a-b))
  - 1.2.c Solvency (307)
  - 1.2.d Unfair claim settlement practices (2601; Reg 64, Parts 216.3 to .6)
  - 1.2.e Appointment of agent (2112(a-c))
  - 1.2.f Termination of agent appointment (2112(d); Regs 9, 18, 29, Part 20.2)
    - Unfair and Prohibited Practices**
    - 1.2.g Misrepresentation (2123; Reg 64, Part 216.3)
    - 1.2.h False advertising (2603)
    - 1.2.I Defamation of insurer (2604)
    - 1.2.j Unfair discrimination (2606-2608, 2612)
    - 1.2.k Rebating (2324)
      - Licensee Regulation**
      - 1.2.l Controlled business (2103(i))
      - 1.2.m Sharing commissions (2121, 2128)

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- 1.2.n Fiduciary responsibility (2120; Regs 9, 18, 29, Parts 20.3, 20.4)
- 1.2.o License display (Reg 125, Part 34.5)
- 1.2.p Commissions and compensation (2102(e), 2114–2116, 2119; Regs 9, 18, 29, Part 20.6)
- 1.2.q Termination responsibilities of producer (2112)
- 1.2.r Examination of books and records (2404; Reg 152, Parts 243.0 to .3)
- 1.2.s Insurance Frauds Prevention Act (401–406)
- 1.2.t Consumer privacy regulation (Reg 169, Part 420.0 to .4)

### **1.3 Federal Regulation**

- 1.3.a Fair Credit Reporting Act (15 USC 1681–1681d)
- 1.3.b Fraud and false statements including 1033 waiver (18 USC 1033, 1034)

## **2.0 General Insurance 9%**

### **2.1 Concepts**

Risk management key terms

- 2.1.a Risk
  - 2.1.b Exposure
  - 2.1.c Hazard
  - 2.1.d Peril
  - 2.1.e Loss
- Methods of handling risk**
- 2.1.f Avoidance
  - 2.1.g Retention
  - 2.1.h Sharing
  - 2.1.I Reduction
  - 2.1.j Transfer
  - 2.1.k Elements of insurable risks
    - 2.1.l Adverse selection
    - 2.1.m Law of large numbers
    - 2.1.n Reinsurance

### **2.2 Insurers**

**Types of insurers**

- 2.2.a Stock companies
- 2.2.b Mutual companies
- 2.2.c Fraternal benefit societies
- 2.2.f Private versus government insurers
- 2.2.g Admitted versus nonadmitted insurers
- 2.2.h Domestic, foreign, and alien insurers
- 2.2.I Financial status (independent rating services)
- 2.2.j Marketing (distribution) systems

### **2.3 Agents and general rules of agency**

- 2.3.a Insurer as principal
- 2.3.b Agent/insurer relationship
  - Authority and powers of agents

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- 2.3.c Express
- 2.3.d Implied
- 2.3.e Apparent
- 2.3.f Responsibilities to the applicant/insured

### **2.4 Contracts**

#### **Elements of a legal contract**

- 2.4.a Offer and acceptance
- 2.4.b Consideration
- 2.4.c Competent parties
- 2.4.d Legal purpose

#### **Characteristics of insurance contracts**

- 2.4.e Contract of adhesion
- 2.4.f Aleatory contract
- 2.4.g Personal contract
- 2.4.h Unilateral contract
- 2.4.I Conditional contract

#### **Legal concepts and interpretations affecting contracts**

- 2.4.k Reasonable expectations
- 2.4.l Indemnity
- 2.4.m Utmost good faith
- 2.4.n Representations/misrepresentations (3105)
- 2.4.o Warranties (3106)
- 2.4.s Rescission
- 2.4.p Concealment
- 2.4.q Fraud
- 2.4.r Waiver and estoppel

### **3.0 Life Insurance Basics 14%**

#### **3.1 Insurable interest (3205)**

#### **3.2 Personal uses of life insurance**

- 3.2.a Survivor protection
- 3.2.b Estate creation
- 3.2.c Cash accumulation
- 3.2.d Liquidity
- 3.2.e Estate conservation

#### **3.3 Determining amount of personal life insurance**

- 3.3.a Human life value approach
- 3.3.b Needs approach
- 3.3.c Types of information gathered
- 3.3.d Determining lump-sum needs
- 3.3.e Planning for income needs

#### **3.4 Business uses of life insurance**

- 3.4.a Buy-sell funding

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- 3.4.b Key person
- 3.4.c Executive bonuses
- 3.4.d Business continuation
  
- 3.5 Differences in life insurance policies**
  - 3.5.a Group versus individual
  - 3.5.b Permanent versus term
  - 3.5.c Participating versus nonparticipating
  - 3.5.d Fixed versus variable life
  - 3.5.e Regulation of variable products (SEC, NASD, and New York) (4240; Reg 47, Part 50.3; Reg 77, Part 54.3)
  
- 3.6 Factors in premium determination**
  - 3.6.a Mortality, Investment Return, and Expense
  - 3.6.b Mode of premium
  
- 4.0 Life Insurance Policies 14%**
  - 4.1 Term life insurance**
    - 4.1.a Renewable term
    - 4.1.b Convertible term
    - 4.1.c Level premium term
    - 4.1.d Increasing and decreasing term
  
  - 4.2 Whole life insurance**
    - 4.2.a Continuous premium (straight life)
    - 4.2.b Limited payment
    - 4.2.c Single premium
    - 4.2.d Modified premium whole life
  
  - 4.3 Flexible premium policies**
    - 4.3.a Adjustable life
    - 4.3.b Universal life
  
  - 4.4 Specialized policies**
    - 4.4.a Joint life (first-to-die)
    - 4.4.b Survivorship life (second-to-die)
    - 4.4.c Life insurance on minors (3207(b))
  
  - 4.5 Group life insurance**
    - 4.5.a Characteristics of group plans
    - 4.5.b Types of plan sponsors
    - 4.5.c Group underwriting requirements
    - 4.5.d Conversion to individual policy (3220)
  
  - 4.6 Credit life insurance (individual versus group)**

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### 5.0 Life Insurance Policy Provisions, Options, and Riders 14%

#### 5.1 Required provisions (3203)

- 5.1.a Ownership
- 5.1.b Assignment
- 5.1.c Entire contract (3203(a)(4), 3204)
- 5.1.d Right to examine (free look) (3203(a)(11))
- 5.1.e Payment of premiums
- 5.1.f Grace period (3203(a)(1))
- 5.1.g Reinstatement (3203(a)(10))
- 5.1.h Incontestability (3203(a)(3))
- 5.1.I Misstatement of age (3203(a)(5))
- 5.1.j Exclusions (3203(b,c))
- 5.1.k Statements of the applicant (3204)
- 5.1.l Proof of Death

#### 5.2 Beneficiaries

##### Designation options

- 5.2.a Individuals
- 5.2.b Classes (per stirpes/per capita)
- 5.2.c Estates
- 5.2.d Minors
- 5.2.e Trusts
- 5.2.f Succession
- 5.2.g Revocable versus irrevocable
- 5.2.h Common disaster clause

#### 5.3 Settlement options

- 5.3.a Cash payment
- 5.3.b Interest only
- 5.3.c Fixed-period installments
- 5.3.d Fixed-amount installments

##### Life income

- 5.3.e Single life
- 5.3.f Joint and survivor
- 5.3.g Spendthrift clause

#### 5.4 Nonforfeiture options

- 5.4.a Cash surrender value
- 5.4.b Extended term
- 5.4.c Reduced paid-up insurance

#### 5.5 Policy loan and withdrawal options

- 5.5.a Policy loans
- 5.5.b Automatic premium loans
- 5.5.c Withdrawals or partial surrenders

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### **5.6 Dividend options**

- 5.6.a Cash payment
- 5.6.b Reduction of premium payments
- 5.6.c Accumulation at interest
- 5.6.d One-year term option
- 5.6.e Paid-up additions

### **5.7 Disability riders**

- 5.7.a Waiver of premium
- 5.7.b Waiver of cost of insurance
- 5.7.c Disability income benefit
- 5.7.d Payor benefit life/disability (juvenile insurance)

### **5.8 Accelerated (living) benefit provisions/riders (3230)**

- 5.8.a Conditions for payment
- 5.8.b Effect on death benefit

### **5.9 Riders covering additional insureds**

- 5.9.a Spouse/other-insured term rider
- 5.9.b Children's term rider
- 5.9.c Family term rider

### **5.10 Riders affecting the death benefit amount**

- 5.10.a Accidental death
- 5.10.b Guaranteed insurability
- 5.10.c Cost of living
- 5.10.d Return of premium
- 5.10.e Term rider

## **6.0 Life Settlement 40%**

### **6.1 Definitions (7802)**

- 6.1.a Life Settlement contract (7802(k)(1)(2)(3))
- 6.1.b Life Settlement Broker (7802(j))
- 6.1.c Life Settlement Intermediary (7802(l))
- 6.1.d Life Settlement Provider (7802(m))
- 6.1.e Business of Life Settlement (7802 ( c )(1))
- 6.1.f Compensation(7802 (d)(1))
- 6.1.g Financing entity(7802(e)(1) & (2))
- 6.1.h Financing transaction(7802(f))
- 6.1.i Owner(7802(n))
- 6.1.j Qualified Institutional Buyer 7802( r )
- 6.1.k Life expectancy(7802(i))

### **6.2 Broker License Requirements (2137; 2102(a) (1))**

### **6.3 Intermediary Registration Requirements (7804(a); 7804(b)(2))**

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- 6.4 Provider License Requirements (7803 (b))**
- 6.5 Fingerprinting Requirements (2137(d)(2); (7803(a))**
- 6.6 Advertising (7809)**
- 6.7 Privacy (7810)**
  - 6.7.a HIPAA
  - 6.7.b Personal & Financial information privacy
- 6.8 Disclosure to owners and insureds (7811)**
  - 6.8.a Owners disclosures(7811)(a)
  - 6.8.b Brokers Commissions and other Compensations disclosures (2119(e))
  - 6.8.c Broker disclosure of offers, counteroffers, acceptances & rejections(7811( c ))
  - 6.8.d Insured disclosures(7811(b))
  - 6.8.e Right of Rescission Disclosure (7811, 7813)
- 6.9 Life Insurance Applications (7812)**
- 6.10 Prohibited Practices (7814)**
- 6.11 Stranger-originated life insurance (7815)**
  - 6.11.a Insurable interest provisions
  - 6.11.b Trust owned policies
- 6.12 Penalties and civil remedies (7816)**
- 6.13 Applicability and choice of law (7819)**
- 6.14 General Rules (7813)**
  - 6.14.a Two Year Prohibition
  - 6.14.b Exceptions to the Two Year Prohibition
  - 6.14.c Contacts with the insured